

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 EB-07 AGR-05 TRSE-00 OMB-01 SP-02
CIAE-00 INR-07 NSAE-00 STR-04 XMB-02 EPG-02 /043 W
-----071023Z 070562 /11

R 070835Z MAY 77
FM AMEMBASSY BERLIN
TO SECSTATE WASHDC 4742
INFO AMEMBASSY BONN
USMISSION USBERLIN
USMISSION NATO
USDOC WASHDC

C O N F I D E N T I A L SECTION 1 OF 2 BERLIN 5980

USDOC FOR BEWT

E O 11652: GDS
TAGS: EEWT, GE
SUBJ: CONVERSATION WITH DR. BEIL

SUMMARY: ON MAY 5 FOREIGN TRADE STATE SECRETARY BEIL
DISCUSSED WITH US HIS FORTHCOMING TRIP TO U.S.
GRAIN CONSULTATIONS, THE GDR'S FOREIGN TRADE, FINANCE,
AND DEBT. DOES DEPARTMENT PLAN TO RECEIVE HIM IN
WASHINGTON? END SUMMARY.

1. RESPONDING TO AN INVITATION EXTENDED EARLIER
BY CHARGE TO VISIT THE NEW CHANCERY, FOREIGN TRADE
STATE SECRETARY BEIL CALLED MAY 5 AT EMBASSY, WHERE
HE AND FOREIGN TRADE MINISTRY PROTOCOL CHIEF LACZNY
SPENT ABOUT AN HOUR. THE POINTS OF MAIN INTEREST IN
THE CONVERSATION WERE AS FOLLOWS:

2. BEIL'S PLANNED TRIP TO US. BEIL SAID HE PLANS
TO DEVOTE A WEEK TO THE US TRIP, LEAVING BERLIN JUNE 13
AND DEPARTING FROM THE US JUNE 18. HE SAID THE US-GDR
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AND GDR-US ECONOMIC COMMITTEES WOULD FOREGATHER THE
EVENING OF TUESDAY, JUNE 14 AT A SITE 40-50 MILES FROM
WASHINGTON OF (AMTEL PRESIDENT) OTTMAR'S CHOOSING.
ON JUNE 15, BEIL SAID, HE HAS APPOINTMENTS WITH TREASURY
SECRETARY BLUMENTHAL AND COMMERCE SECRETARY KREBS. ON
JUNE 16 BEIL WILL ACCEPT AN INVITATION TO VISIT
COCA-COLA HEADQUARTERS, APPARENTLY IN ATLANTA. FROM

THERE HE PLANS TO GO TO CHICAGO, WE ASSUME TO VISIT AMOCO, WITH WHOM BEIL SAID HE WILL BE SIGNING A SIGNIFICANT CONTRACT FOR THE ACQUISITION OF PETRO-CHEMICAL TECHNOLOGY AND EQUIPMENT. BEIL ALSO SAID HE WILL BE SIGNING A CONTRACT WITH LITWIN (AN AMTEL SUBSIDIARY) FOR PETROCHEMICAL PLANT WHICH LITWIN WILL SUPPLY FROM WESTERN EUROPE. BEIL SAID DURING HIS TRIP HE WOULD CONTINUE IN THE SAME FASHION AS HE HAS IN THE PAST TO ARGUE FOR MFN, WITHOUT HOWEVER, PARTICULAR EXPECTATIONS ON THAT SCORE.

3. GRAIN CONSULTATION: ASKED ABOUT GRAIN CONSULTATIONS, BEIL SAID THAT ON HIS RECENT VISIT TO USDA, NAHRUNG EXPORT-IMPORT DIRECTOR GENERAL WOLF (BERLIN 5711) HAD COME AWAY WITH THE IMPRESSION THAT USDA IS NOT AS EAGER TO PURSUE GRAIN CONSULTATIONS AS HAD BEEN THE OFFICIALS BEIL SAW DURING THE FIRST ROUND IN NOVEMBER 1976. EMBOFF TOLD BEIL THAT IT IS EMBASSY'S IMPRESSION THAT USDA CONTINUES TO ATTACH IMPORTANCE TO REGULAR CONSULTATIONS. COMMENT: OUR IMPRESSION IS THAT NOTWITHSTANDING THE TONE OR CONTENT OF WOLF'S MEETING AT USDA ABOUT WHICH WE ARE NOT INFORMED, BEIL DOES NOT WISH TO TRY TO PUT GRAIN TALKS ON THE AGENDA OF THIS TRIP.

4. GDR FOREIGN TRADE: BEIL SAID ON THE BASIS OF HIS COUNTRY-OF-ORIGIN DATA, GDR IMPORTS FROM THE US IN 1976 AMOUNTED TO ABOUT \$500 MILLION, MAINLY FEED GRAIN. ON THE BASIS OF DATA COMPILED ACCORDING TO CONFIDENTIAL

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THE NATIONALITY OF THE SELLER, DATA WHICH THE GDR ALSO MAINTAINS, IMPORTS FROM THE US WERE \$250 MILLION. BEIL SAID HE GETS A COMPREHENSIVE COMPUTER PRINTOUT ON GDR FOREIGN TRADE EVERY TEN DAYS. THE FOREIGN TRADE MINISTRY HAS A COMPUTING CENTER WITH FIVE IMB 360'S ENGAGED WITH THIS AND OTHER TASKS. HE SAID THE GDR SPENT 2 1/2 BILLION MARKS ON FEEDGRAIN IN 1976, A BILLION AND A HALF MORE THAN THE BILLION THAT WOULD HAVE BEEN SPENT UNDER NORMAL WEATHER CONDITIONS. ALLUDING IN PASSING TO A THEME THE EMBASSY HAS HEARD FROM OTHER SOURCES, BEIL SAID THAT THE GDR HAD LOST ON THE

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R 070835Z MAY 77
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DECLINE OF THE FRENCH FRANC. (THE GDR APPARENTLY HAD FRANC-DENOMINATED CONTRACTS FOR SUPPLY TO FRANCE WHICH IT HAD TO HONOR DESPITE THE DROP IN THE VALUE OF THE FRANC.) HE SAID GDR HARD-CURRENCY EXPORTS JANUARY-APRIL 1977 WERE UP SIX PERCENT OVER THE SAME PERIOD 1976. ABSTRACTING MEAT EXPORTS, HE SAID, WHICH ARE DOWN BECAUSE OF EARLY SLAUGHTER LAST FALL BECAUSE OF THE FEED SITUATION, GDR EXPORTS TO THE WEST ARE UP 16 PERCENT, AND HE EXPECTS GROWTH IN EXPORTS TO THE WEST WILL BE 15 PERCENT IN 1977. EXPORTS TO COMMUNIST COUNTRIES ARE UP 12 PERCENT JANUARY-APRIL 1977. ON THE 1977 IMPORT SIDE, NORMAL WEATHER WOULD IMPROVE THE SITUATION GREATLY OVER 1976.

5. GDR PLANS CALL FOR THE PURCHAASE OF 57 MAJOR TURNKEY PLANTS IN 1977, OF WHICH ABOUT 11 HAVE BEEN CONTRACTED THUS FAR. THE THRUST OF THE GDR CAPITAL PLANT PROCUREMENT IS IN PETROCHEMICALS, ESPECIALLY "DEEP CRACKING" OF BASIC REFINERY PRODUCTS INTO THE C-16 COMPOUNDS; AND THE "THIRD STAGE" OF METALLURGY, THE PRODUCTION OF SHAPES. BEIL SAID THE
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US DID NOT SEEM TO BE COMPETITIVE WITH EUROPE IN THE LATTER FIELD, POSSIBLY BECAUSE THE US HAS NOT CONCENTRATED ON THE SMALLER EUROPEAN SCALE OF PRODUCTION. HE SAID HIS CONCLUSION COULD ALSO BE A RESULT OF HIS KNOWING TOO LITTLE ABOUTUS CAPABILITIES.

6. FINANCE AND DEBT. BEIL TOOK A NOVEL LINE ON THE

QUESTION OF GDR EXTERNAL DEBT. THE GDR IS A CREDITOR COUNTRY, HE SIAD, NOT A DEBTOR. SIXTY-FIVE PERCENT OF GDR EXPORTS CONSIST OF MACHINERY, FOR WHICH THE WORLD MARKET HAS BECOME PROGRESSIVELY TIGHTER. THIS IS REFLECTED IN A SMALLER AVERAGE SIZE OF SALES TRANSACTIONS, AND A LENGTHENING OF THE TERMS THE SELLER MUST OFFER, TO A CURRENT THREE AND SOMETIMES FIVE YEARS. RECENT GDR MACHINERY DEALS WITH TURKEY, GREECE, AND ALGERIA ARE EXAMPLES. TERMS ON THE GDR'S IMPORTS, HOWEVER, OF PREDOMINANTLY FUEL AND RAW MATERIALS, ARE SHORT, TYPICALLY 30-90 DAYS. THE GDR, BEIL ARGUED, IS IN THE POSITION OF HAVING TO CARRY THE MATURITY SPREAD, GOING INTO THE MARKET TO RE-FINANCE. AT CURRENT INTEREST RATES, THE GDR IS NOT INTERESTED IN CARRYING LARGE DEBTS, AND HAS PRE-PAID SOME LOANS. HE SAID SWEDEN HAD LENT EIGHT YEAR FUNDS FOR ITS METROPOLE HOTEL CONSTRUCTION PROJECT HERE, BUT THE GDR HAS ALREADY PAID THE LOAN OFF IN TWO YEARS.

7. COMMENT AND SUMMARY. BEIL WAS AFFABLE AND VOLUBLE AND SEEMED TO BE STRIVING TO CONVEY AN IMAGE OF BUSINESSLIKE LEVELING WITH US. THE OVERALL EFFECT WAS PLEASANT, AND CONSISTENT WITH WHAT SEEMS TO BE AN EMERGEING PATTERN OF GDR EFFORTS TO INGRATIATE ITSELF WITH THE US THROUGH STEPPED-UP COOPERATIVENESS IN SOME AREAS OF INTEREST. WE WOULD APPRECIATE DEPARTMENT'S CONFIRMATION OF TREASURY AND COMMERCE APPOINTMENTS (PARA 2) AND INFORMATION ON DEPARTMENT'S PLANS IN RESPECT TO RECEIVING BEIL. POLANSKY
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Message Attributes

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Subject: CONVERSATION WITH DR. BEIL SUMMARY: ON MAY 5 FOREIGN TRADE STATE SECRETARY BEIL DISCUSSED WITH US HIS FORTHCOMING TRIP TO U.S.
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